

SECRET

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OGC HAS REVIEWED.

Mr. Pforzheimer

22 July 1954

OGC, 1707 J Building

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[REDACTED] Employment Insurance

1. The principal feature of the Bill is the extension of coverage to approximately 2.5 million Federal civilian employees. It covers all service for such persons after 1952 "in the employ of the United States or any instrumentality thereof which is wholly owned by the United States."
2. Excluded from the coverage of Government employees are:
 - a. Members of the Armed Forces;
 - b. Foreign Service personnel for whom special separation allowances are provided;
 - c. Aliens employed outside the United States (geographically this includes: the States, Alaska, Hawaii, District of Columbia, Puerto Rico, and the Virgin Islands);
 - d. Individuals paid by contract or on fee basis.
3. Unemployment compensation itself is administered and paid either by the States or by the Secretary of Labor. Where the Secretary of Labor has entered into an agreement with either the State or its unemployment compensation agency, the compensation is paid in the same amount and under terms and conditions applied by the State for other than Federal employees and is subject to the normal administrative and judicial review of the State. In the absence of an agreement with the State, the Secretary of Labor makes the payments based upon the amounts, terms and conditions established by the appropriate State. In the case of persons resident in Puerto Rico or the Virgin Islands, the law of the District of Columbia is applied. Payments in this fashion are subject to review by the Federal Courts.
4. The State to which services and wages are assignable is:
 - a. The last official station of the individual in Federal service; or
 - b. The residence in the last place of cover employment after separation from the Government; or
 - c. The residence at the time of claim if the last station in Government was outside the United States; or
 - d. In Puerto Rico or the Virgin Islands if the claim is filed there.

5. Probably the most important factor from our standpoint is the requirement placed upon Federal agencies to provide information to either the State unemployment compensation agencies or the Secretary of Labor. The nature and scope of such information would be that determined by the Secretary of Labor as necessary and practicable to establish whether a claimant is entitled to benefits. Requirements will presumably be specified in regulations promulgated by the Secretary. However, the Agency has the sole authority to determine:

- a. Whether a given individual is covered;
- b. The length of the period of covered service;
- c. The amount of covered wages; and
- d. The reasons for termination of service.

(It should be noted that the Secretary of Labor or the State agencies would not be precluded from examining the facts beyond such determinations. For example, they might inquire into the particular reason for discharge to discover whether it was based on misconduct or other disqualifying factors.)

6. We can certainly anticipate cover situations in which persons basically entitled to the benefits of unemployment insurance would ostensibly fall within the excluded categories of the Act itself or exceptions to coverage stipulated in regulations of the various States (e.g., Pennsylvania adopts the Federal Act which includes employees of tax exempt organizations, etc.). The information required by the Secretary of Labor for himself or the various State agencies may, of course, produce security hazards since identification of an individual with the Agency must be concealed in certain cases even after separation from the Government service. As indicated above, the Secretary of Labor or the State agencies will be entitled to investigate the facts relating to qualification for payment and this would, of course, involve employment by us.

7. The solution, in the absence of an exclusion from coverage under the Act which would appear to be an unnecessary and unpolitic denial of basic rights even if it could be accomplished, would appear to be in the establishment of liaison with the Secretary of Labor or the adoption of cover to fit the requirements of entitlement. The latter alternative would probably be extremely difficult in certain cases and the former may be undesirable from a security standpoint. In many respects, the difficulties of application will complement those we have already encountered with Social Security.

8. Attached hereto is our file with Congressman Reed's report on H.R. 9709 marked for emphasis. When you have finished, please return it to the J Building Office.